

# **The State of African American Homeownership in Oregon, 2000**



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## Executive Summary

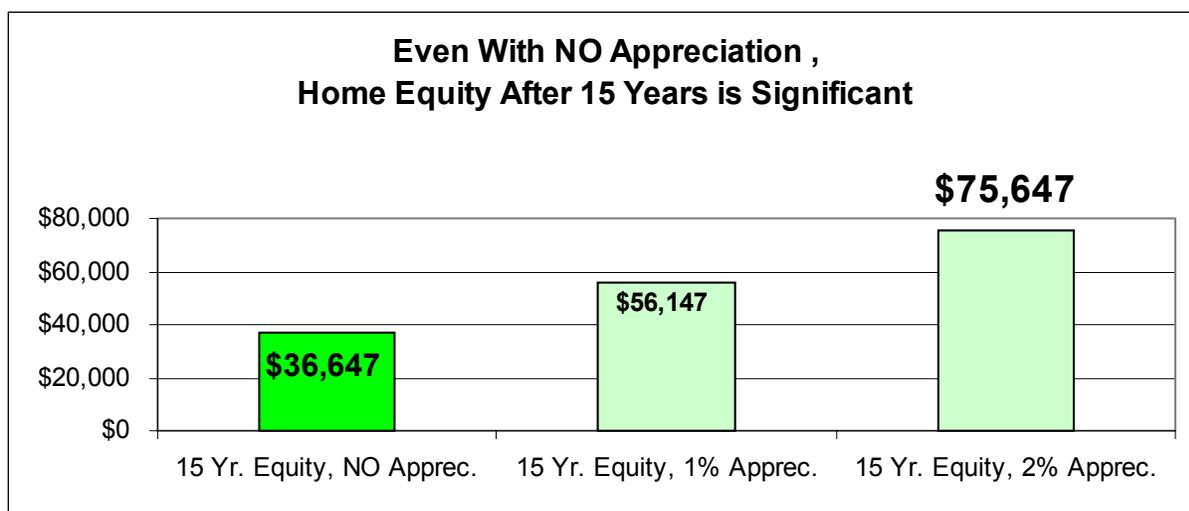
### The State of African American Homeownership In Oregon, 2000

#### Why is Homeownership Important for African American Families?

##### Asset Building

According to national studies, African American families [and Hispanic families] have 1/7<sup>th</sup> of the net worth of White families. Gaps in homeownership are a significant factor in that net worth difference. Even without ANY appreciation, [Actual annual Portland Metro appreciation has been 5.3% from 1990-2000] AND no consideration of the tax benefits, the asset building features of home ownership are dramatic. (Examples use \$135,000 sales price, \$5,000 down payment).

#### The \$\$\$ Amount of Asset Building is Substantial, Any Appreciation Scenario:



#### Statewide

**1950-2000: Oregon Last in Homeownership Growth Among All States**

**1990-2000: Oregon Lags 39% Behind National INCREASE in Homeownership Rate**

**2000: Oregon African American Homeownership Rate 18% Below National African Homeownership Rate**

Oregon ranked LAST of all states in the improvement in its *overall* rate of homeownership from 1950-2000. Over the last decade, our improvement was 39% less than the national improvement. If Oregon is to improve its *overall* homeownership rate, **improvements in the rate of first time home loans to African American and other minority groups are essential**. It is not enough to just track “purchase” loans because this may merely track the geographic movement of the *same* families, with NO effect on OVERALL minority homeownership rates.

#### Census 2000-African American Homeownership Rate in Oregon 18% below the National African American Homeownership Rate; Homeownership Gaps With Whites Increased

Out of 43 states, the District of Columbia, and Puerto Rico where African American HO rate information is available as of August 2001 from the 2000 Census, Oregon’s African American homeownership rate ranked 30<sup>th</sup>. Oregon’s *African American* Homeownership rate is **18% below the combined African American homeownership rate of these state and areas**. In comparison, Oregon’s *White* homeownership rate lags these 43 states and areas by only 6%.

There was a **growing gap** between White and African American homeownership rates from 1990-2000. The Oregon White homeownership rate increased while the African American rate stayed the same. The end result is that the **gap between African American and White HO rates GREW by 8%** during the booming decade of the 1990’s.

Two of the four Oregon counties with substantial African American populations showed actual declines in African American homeownership *rates*, one stayed the same and one saw an increase in the African American homeownership rate. In contrast NO county in Oregon had a decline in the White homeownership rate during the 1990’s.

#### Portland Metro African American Gaps Within Suburbs Higher than Gaps Within the City of Portland

The gaps between African American homeownership rates and White homeownership rates *within* key Portland Metro suburbs were higher than the gaps within the City of Portland. Efforts to increase the overall African American homeownership rate therefore **must include key metro Portland SUBURBAN areas**.

## Lending Declines

The decline in lending to African American first time homebuyers from Fannie and Freddie from 1997-1999 is troubling. (Similar declines to African American First Time Homebuyers have been noted). As a result of these declines, HUD's FHA market share for African American First Time Homebuyers in Oregon reached 71% in 1999. Despite its clear leadership in lending to African American and minority first time homebuyers, HUD's FHA should not meet **all** of the credit needs of African American or other minority first time homebuyers.

The goal of minority homeownership planning should be to increase TOTAL minority first time homebuyer loan volume, *not merely shift that activity from one lending source to another.*

A clear **PART of the answer** to growing gaps in homeownership rates is **accelerated total numbers of low down payment loans** purchased by Fannie Mae and Freddie Mac. "**Cherry picking**" of only those families with the *lowest* credit risk by Freddie and Fannie will not increase the total number of African American first time homebuyers and thus the overall rate of homeownership. Without increased total loan **numbers** for minority first time

homebuyers, African American and other minority homeownership **rates** will continue to show a gap with White homeownership rates.

**Freddie Mac has the greatest room for improvement** in minority first time homebuyer lending in Oregon. A **total of 15 loans to African American first time homebuyers out of 39,000 total loans in Oregon for Freddie Mac in 1999 demonstrates that the "room" for improvement is VERY LARGE.** Fannie Mae's rate of Oregon African American first time homebuyer loans in 1999, while low [29 out of 42,711], was still **75% higher than Freddie's.** The location of Fannie Mae partnership staff in Oregon may account for the better performance.

## Five Suggestions for Improvement

1. **Freddie Mac** may want to consider an Oregon partnership office, or some other organization arrangement to assure greater attention to improved first time minority lending performance in Oregon.
2. **HUD Block Grant recipients and housing advocates** should annually track ACTUAL performance by Fannie Mae and Freddie Mac of minority first time homebuyer loan activity, as well as HUD's FHA. Paying attention to the **actual** activity taking place can, by itself, have a salutary effect. All **HUD required local and state 5 year CDBG and PHA plans**, and their annual updates, and **state required land use plans, should incorporate first time minority home loan tracking activity in their housing needs analysis and goal setting.**
3. **Cities and counties** in Oregon may want to explore with the lenders with which they have banking relationships, voluntary adoption of first time homebuyer loan disclosure similar to those required of Fannie Mae and Freddie Mac by statute. This may include lenders who are members of the third government sponsored home loan enterprise (GSE), the Federal Home Loan Bank Board. This would assure a level playing field for all major lending sources, as well as provide an additional reality check on the actual volume and source of minority first time homebuyer loans occurring.
4. **Housing Authorities and advocates** can look closely at the % of African American families receiving rental assistance in HUD voucher programs and public housing, and those enrolled in family self sufficiency (FSS) programs designed to help build financial assets, to assure that African American families are proportionate to population. The cost savings produced by vouchers can help families move on the housing continuum toward homeownership. In addition **housing authorities and advocates** should also assure that their **FSS participants have access to the 75% IDA tax credits approved in Oregon in 2001.**
5. In addition, **housing authorities** and advocates should look carefully at use of vouchers for homeownership permitted since the fall of 2000. These homeownership vouchers are a new way of reaching lower income families who demonstrate the ability to accomplish family self sufficiency planned activities and accumulate assets through escrow accounts. For these families it is **essential that "equity recapture" or "shared appreciation" features are not applied unless they are also applied to rental property owners** who benefit from vouchers used for rentals. To **single out homebuyers would defeat the asset building benefits of homeownership** that lead to faster self sufficiency.

## The State of African American Homeownership In Oregon, 2000

### Census 2000 Data Provides Reality Check

The release of Census 2000 homeownership rate data permits comparison of African American homeownership rates with White homeownership rates in 2000 and in 1990 and also provides the answer to a key question:

*Did the gap in rates of homeownership between White Oregonians and African American Oregonians increase or decrease during the 1990's?*

The answer to that question and how the answer varies by geography provide an important reality check on progress made, and progress that remains yet to be achieved

### 1990-2000

During the last decade, Oregon's rate of change in homeownership rates improved, but still ranked 37<sup>th</sup> among the 50 states, increasing by 1.9% while the national rate increased by 3.1%, a gap of 39%. Put a different way during the 1990's Oregon improved compared to *some* other states, but continued to lose ground compared to the nation as a whole.

Out of 43 states, Puerto Rico and the District of Columbia where African American HO rate information is available as of August 2001 from the 2000 Census, Oregon ranks 32<sup>nd</sup>. Oregon's **African American Homeownership rate is 18.9% below the combined African American homeownership rate of these states and areas.** In comparison, Oregon's *White* homeownership rate lags the sum of the 43 states and areas by only 6%.

### White and African American Rate and Gap Change 1990-2000

As the table below indicates, the Oregon White Homeownership *Rate* Increased by 2.1%, while the African American Homeownership rate remained the same. Comparing the difference between those two rates in 2000 and the same rates for 1990 reveals that **the gap in Homeownership rates in 2000 GREW by 8% from 1990-2000.**

### The Gap in Homeownership Rates Between Oregon's White and African American Households Grew by 8% from 1990 to 2000

Area	Change in GAP, 1990-2000	GAP 2000	GAP 1990	African American HO Rate Change 90-2000	White HO Rate Change 90-2000	African American 2000 HO Rate	White 2000 HO Rate	African American 1990 HO Rate	White 1990 HO Rate
Oregon	8.0%	77%	72%	0.0%	2.1%	37%	66%	37%	64%
("Gap" is the % Increase required to INCREASE the African American Homeownership Rate to the White Homeownership rate. "Change" = 2000 Gap /1999 Gap -1)									

### Portland Metro

#### **Portland Metro Homeownership Gap Increases Greater than State Increase, Except for Multnomah County; Resulting 2000 Gaps Compared to State Vary**

Portland Metro counties had 85% of Oregon's African American renters in 2000 and are therefore critical to increasing African American homeownership rates statewide.

*Changes* in the African American homeownership *gap* from 1990-2000 were HIGHER than the statewide average for the three largest counties in the Oregon share of the Portland metro area. As shown on the table on the next page, the gaps that remained after the change in the Portland Metro were as follows:

- For Washington County, the *gap* is now at the same level as the statewide average, but there was a drop in African American HO *rate* from 1990-2000 from 35% to 33%.
- Multnomah County is below the statewide *gap* but its *rate* remained flat during the '90's.
- Clackamas County:
  - Saw a CHANGE in the African American homeownership **gap that was 10 times higher than the change in the gap for the state as a whole. (86% vs. 8%).**
  - Saw a significant **drop in the African American homeownership rate from 51% to 41% during the decade.**
  - **Retains, but only slightly, the highest African American HO rate (41%) within the Portland Metro.**

## African American and White Homeownership Rates and Gaps 1990-2000, Portland Metro Area

County	Change in GAP, 1990-2000	GAP 2000	GAP 1990	Af. Am. HO Rate Change 90-2000	White HO Rate Change 90-2000	Af. Am. 2000 HO Rate	White 2000 HO Rate	Af. Am. 1990 HO Rate	White 1990 HO Rate
Clackamas	86.0%	78%	42%	-10%	0%	41%	72%	51%	72%
Multnomah	12.8%	57%	51%	0%	3%	38%	60%	38%	57%
Washington	20.2%	90%	75%	-2%	1%	33%	63%	35%	62%
("Gap" is the % Increase required to INCREASE the African American Homeownership Rate to the White Homeownership rate. "Change" = 2000 Gap /1999 Gap -1)									

Note: Clark County in Washington state, but part of the Portland Metro area, has the 2<sup>nd</sup>. highest African American homeownership rate in the Metro area, at 40%.

### Other Oregon Counties

Because there area only 4 counties in Oregon with more than 500 African American renters, the only additional county added to the Portland Metro analysis is Lane County.

County	Change in GAP, 1990-2000	GAP 2000	GAP 1990	Af. Am. HO Rate Change 90-2000	White HO Rate Change 90-2000	Af. Am. 2000 HO Rate	White 2000 HO Rate	Af. Am. 1990 HO Rate	White 1990 HO Rate
Lane	1.1%	84%	83%	1%	2%	35%	64%	34%	62%
("Gap" is the % Increase required to INCREASE the African American Homeownership Rate to the White Homeownership rate. "Change" = 2000 Gap /1999 Gap -1)									

As indicated previously, Portland Metro counties had 85% of Oregon's African American renters in 2000; with the addition of Lane county this represents 89% of all Oregon African American renters.

### County African American Homeownership Rates, 2000

- Eleven Counties Saw Rate Declines
- Lane County Only One of Four Big Counties With An Increase in African American Homeownership Rate....But It Also Had an Increase in the Gap Between White and African Homeownership Rates.

<p>No County in Oregon had a decline in the White homeownership rate from 1990-2000</p>	<p>11 Oregon counties had decreases in African American homeownership rates during the 1990's. (Clackamas, Columbia, Douglas, Grant, Jackson, Jefferson, Josephine, Malheur, Tillamook, Union, Washington).</p> <p>Among the 4 counties with 89% of all African American renters in Oregon (Clackamas, Multnomah, Washington, Lane), Lane County was the ONLY county to see an increase in African American homeownership rates, with an increase of 1%. However, the White homeownership rate increased by 2%, so in Lane County the <i>GAP</i> between White and African American homeownership rates also <i>increased</i> by 1%</p>
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### Key Cities

Along with the limited number of counties with substantial African Americans, **five Oregon cities contain 79% of African American renters in Oregon and 77% of Oregon's African American Homeowners.** All but one, Eugene are located in the Portland Metro area. The table below ranks those cities with more than 250 African American renters by their homeownership rate; **collectively these cities have an African American homeownership rate of 37%**

**Oregon Cities with 250 or More African American Renters,  
Ranked by African American Homeownership Rate,  
Census 2000**

	Rank	African American Homeowners	African American HO Rate	African American Renters	% of Statewide African American Renters	Gap With White HO Rates
<b>Portland</b>	<b>1</b>	<b>5,044</b>	<b>38%</b>	<b>8,157</b>	<b>67%</b>	<b>53%</b>
Salem	2	134	35%	250	2%	70%
Eugene	3	185	30%	428	4%	80%
Gresham	4	161	28%	424	3%	110%
Beaverton	5	121	23%	399	3%	119%
<b>These 5 Cities</b>		<b>5,645</b>	<b>37%</b>	<b>9,658</b>	<b>79%</b>	
("Gap" is the % Increase required to INCREASE the African American Homeownership Rate to the White Homeownership rate. "Change" = 2000 Gap /1999 Gap -1)						

In this grouping of five cities **Portland's** African American homeownership rate, at **53%**, is **64% higher than Beaverton's**, which has the lowest African American homeownership rate at 23%.

This ranking is also repeated in the **GAP** between White and African American homeownership rates; **Portland** has the **LOWEST GAP** at 53% while **Beaverton** has a **gap more than twice Portland's** at 119%.

**African American First Time Homebuyer Lending Activity:**

Stating the obvious, but *frequently overlooked fact*: **If homeownership rates are to be increased, lending to first time homebuyers needs to increase.**

The goal should be to increase total first time homebuyer loan volume, not merely shift it from one lending source to another.

If the concentration on lending activity is merely on "home purchases" without regard to first time homebuyer status, all that may be occurring is shuffling the same homeowners from place to place, without affecting the overall RATE of homeownership among a particular minority group.

Unfortunately, Home Mortgage Disclosure reports do not provide detail on first time homebuyers. Fortunately, public databases for Fannie Mae and Freddie Mac do contain first time homebuyer information and that same information is also available for HUD's FHA.

While these sources are admittedly NOT the entire market, collectively they are a good proxy for the volume and location of loan activity.

**Statewide First Time African American Homebuyer Activity 1997-1999**

The table on the following page, ALL loans made or purchased (not just African American homebuyers) shows a total of almost 273,000 loans from these three sources. HUD's FHA accounts for only 25,000 of all loans, less than 1 of every 10 loans.

**Oregon 1997-99, All Loans Fannie Mae, Freddie Mac, and HUD's FHA**

	97	98	99	97-99
<b>HUD's FHA</b>	<b>7,491</b>	<b>7,555</b>	<b>10,067</b>	<b>25,113</b>
Fannie Mae	29,929	59,392	42,711	132,032
Freddie Mac	25,097	51,369	39,302	115,768
<b>All</b>	<b>62,517</b>	<b>118,316</b>	<b>92,080</b>	<b>272,913</b>

## Who Makes African American First Time Homebuyer Loans in Oregon?

During the same period that 273,000 loans were made or purchased by these three sources, African American first time homebuyer loans totaled 444. *That means out of every 500 loans made, less than 1 was for an African American first time homebuyer.*

### Oregon African American First Time Homebuyer Loans by Source

Agency	1997	1998	1999	97-99
<b>HUD's FHA</b>	<b>74</b>	<b>74</b>	<b>110</b>	<b>258</b>
Fannie Mae	49	51	29	129
Freddie Mac	25	17	15	57
<b>3 Source Total</b>	<b>148</b>	<b>142</b>	<b>154</b>	<b>444</b>

As indicated previously, HUD's FHA accounted for less than 1 in every 10 of ALL loans.

### Was HUD's FHA Share of African American First Time Homebuyers the Same as Its Overall Market Share?

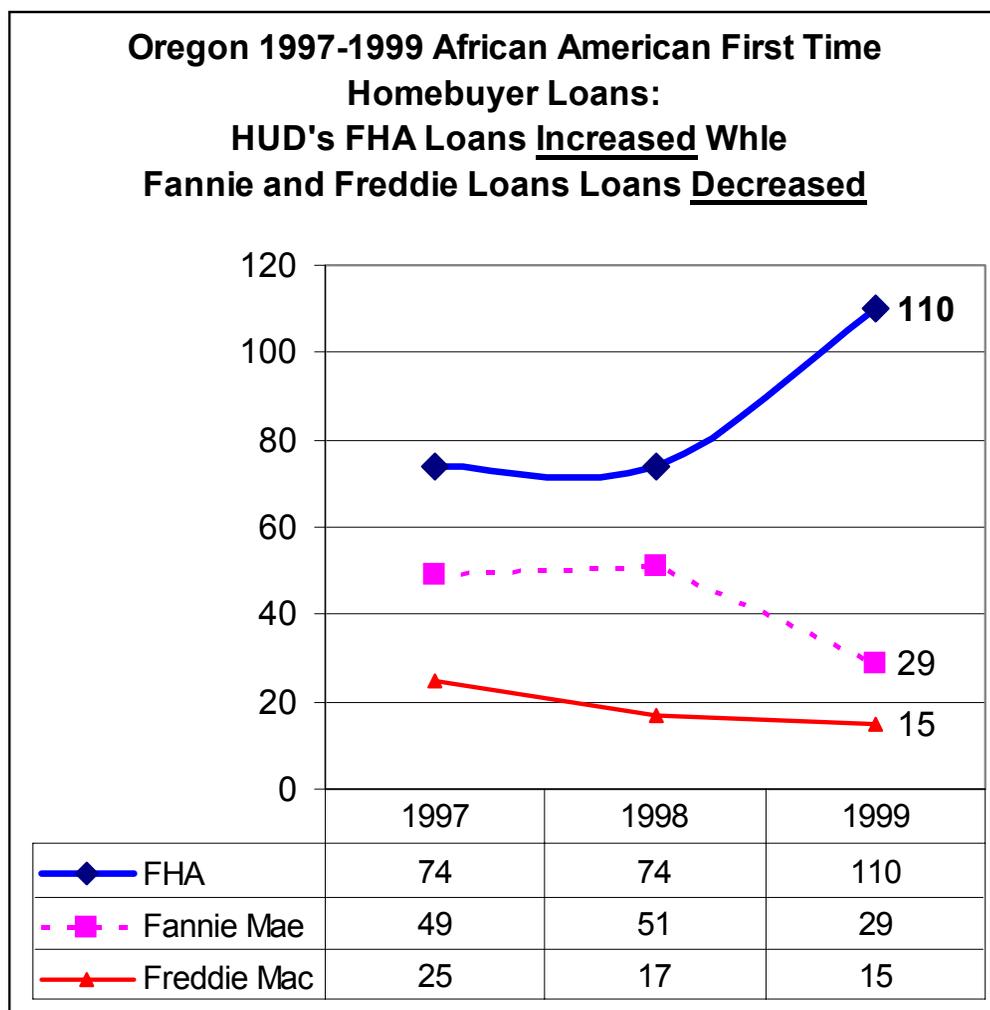
**NO.**

Over the *three year period*, HUD's FHA accounted for 258 of the 444 African American First Time Homebuyer Loans, nearly **6 in every 10 loans made to African American First Time Homebuyers**

### Trends in African American First Time Homebuyer Loan Volume

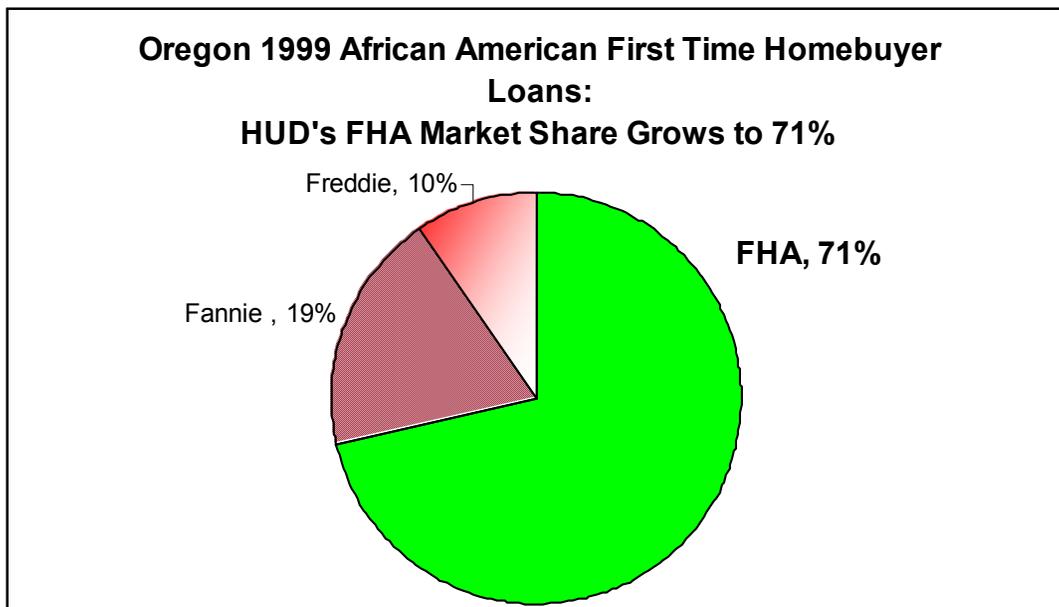
A review of the trend in the African American first time homebuyer table above reveals a *growing number of African American first time homebuyer loans from HUD's FHA and a declining numbers of loans from Fannie and Freddie*. This is a graph showing the change:

### Number of African American First Time Homebuyer Loans In Oregon 1997-1999



## Changes in Market Share of African American First Time Homebuyer Loans

The increased loan numbers from HUD's FHA translate into a GROWING share of the African American First Time Homebuyer market. While the total FHA market share for the **three years** was 58%, HUD's FHA market share actually **increased from 50% to 71%** at the end of the three year period. The pie chart below shows market shares in 1999.



### **Five Suggestions for Improvement**

1. **Freddie Mac** may want to consider an Oregon partnership office, or some other organization arrangement to assure **greater attention** to improved first time minority lending performance in Oregon.
2. **Housing agencies and housing advocates** can annually track ACTUAL performance by Fannie Mae and Freddie Mac of minority first time homebuyer loan activity, as well as HUD's FHA. Paying attention to the **actual** activity taking place can, by itself, have a salutary effect. All **HUD required local and state 5 year CDBG and PHA plans**, and their annual updates, and **state required land use plans should incorporate minority first time home loan tracking activity in the housing needs analysis and goal setting.**
3. Cities and counties in Oregon can explore with the lenders with which they have banking relationships, *voluntary adoption* of first time homebuyer loan disclosure similar to those required of Fannie Mae and Freddie Mac by statute. This may include lenders who are members of the third government sponsored home loan enterprise (GSE), the Federal Home Loan Bank Board. This would assure a level playing field for all major lending sources, as well as provide a reality check on actual volume and source of minority first time homebuyer loans occurring.
4. **Housing Authorities and advocates** can look closely at the % of African American families receiving rental assistance in HUD voucher programs and public housing, and those enrolled in **family self sufficiency (FSS) programs** designed to help build financial assets, to assure that **African American families are proportionate to population**. The cost savings produced by vouchers can help families move on the housing continuum toward homeownership. In addition **housing authorities can also assure that their FSS participants access to the 75% IDA tax credits approved in Oregon in 2001.**
5. In addition, **housing authorities and advocates** can look carefully at **use of vouchers for homeownership** permitted since the fall of 2000. This can be a way of reaching **lower income families** who demonstrate the ability to accomplish family self sufficiency planned activities and accumulate assets through escrow accounts. For these families it is essential that **"equity recapture" or "shared appreciation" features are not applied unless they are also applied to rental property owners** who benefit from vouchers used for rentals. To **single out homebuyers would defeat the asset building benefits** that lead to faster self sufficiency.

## Data Sources

### **Change and Comparison of homeownership rates:**

1. The **Fannie Mae Foundation** has posted a database of homeownership rates on their web site, including regions, states, and places with more than 50,000 population. After downloading this database, spreadsheet formulas were added to calculate rate changes so as to permit comparisons. This database was used as the source of the comparison of the change in homeownership rates for the 50 states for the 1990's as well as the period 1950-2000.
2. **Census Bureau American Fact Finder web site.** Numerous tables for 1990 and 2000 were downloaded from this site. Two 2000 Census housing tables were primary sources of homeownership rate comparisons by race and African American origin:
  - a. H16H. TENURE BY AGE OF HOUSEHOLDER (AFRICAN AMERICAN OR LATINO HOUSEHOLDER) and
  - b. H14. TENURE BY RACE OF HOUSEHOLDER

After downloading these Census 2000 tables for states, counties, and places (similar tables were downloaded for 1990: (H11 African American Tenure; H9 Tenure by Race) spreadsheet formulas were added to calculate homeownership rates, rate changes, and gap changes.

### **Fannie Mae, Freddie Mac, and HUD's FHA loan volume, including African American First Time Homebuyer data, and Market Share.**

Fannie Mae and Freddie Mac borrower minority data were extracted from HUD's GSE public use national database for 1997-1999. (The 1999 database alone has loan level data for 4.9 million loans). This database was extensively reviewed and analyzed to arrive at the Oregon specific Fannie Mae and Freddie Mac borrower information referenced in this document. HUD's FHA data for Oregon was provided by Oregon HUD Office.

## Errors and Corrections

I regret any errors resulting from miscalculation of the data downloaded or extracted from this wide variety of data sources and formats. IF you discover any errors, please bring them to my attention at [Tom\\_Cusack@hud.gov](mailto:Tom_Cusack@hud.gov) , with supporting data, including the source of the data. After examining the data provided I will make any required corrections.

## Your Thoughts?

After you have a chance to digest the data and the report, I'm interested in hearing from you:

- Was the report **clear**?
- Did it provide you with **new information** you had not seen before?
- Was the information **useful**?
- Can you offer **ways to improve** the layout or content?
- Are there **data sources that could add value** to the report?
- Are there additional **suggestions you would make** to improve the rate of African American and minority homeownership, and to reduce the gaps with white homeownership?
- Are there actions that you would suggest to increase the **OVERALL rate of homeownership in Oregon** and reduce the gap between the Oregon homeownership rate and the national rate of homeownership?
- Do you **participate** in local housing planning activities?
- Do your **local housing plans include periodic assessment** of the recent activity in minority first time lending and homeownership?
- Where would you go to find information on the number of **minority first time home loans made recently** in your community?

Please send these and any other comments or ideas you have to:

**Tom\_Cusack@hud.gov**